Benefits from CAFTA-DR
Indiana

U.S. Department of commerce
international trade administration
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Indiana's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $65 million in 2004. Indiana's exports to the CAFTA-DR region fell between 2000 and 2003, but rebounded from 2003 to 2004 by $23 million (55 percent), the eighth-largest percentage gain among the states.

Individually, most CAFTA-DR markets are multi-million-dollar trading partners of Indiana. In 2004, Indiana shipped merchandise worth $27 million to Honduras alone.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

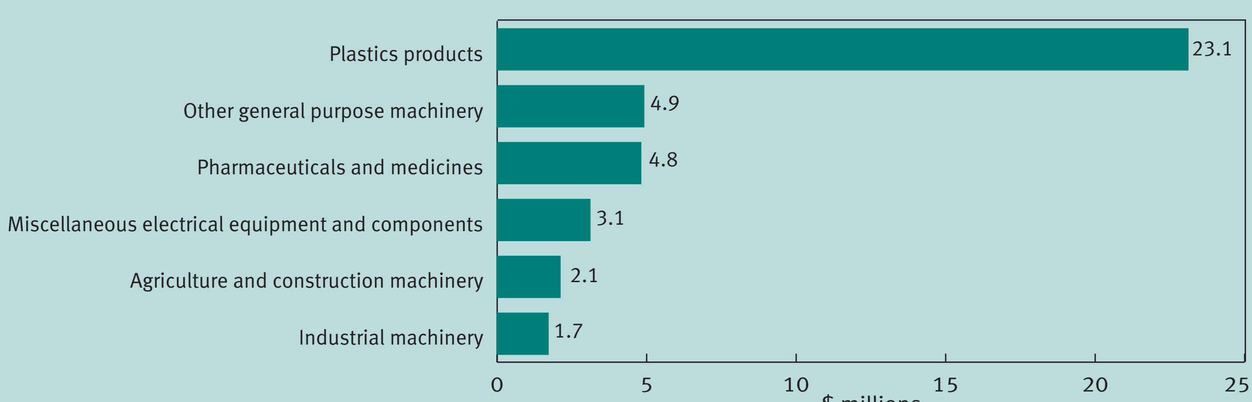
CAFTA-DR will boost opportunities for Indiana's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant average tariffs.

Continued on reverse

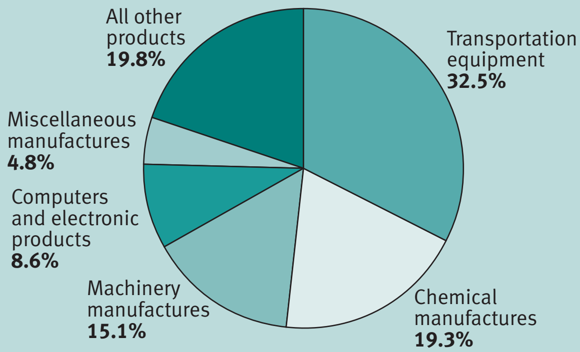
Indiana Exported $59.8 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Plastics Products Dominate



Source: U.S. Department of Commerce.

Indiana Exported $19.1 Billion in Goods to the World in 2004

Transportation Equipment and Chemicals Account for Half



Source: U.S. Department of Commerce.

CAFTA-DR Opens Markets for Key Indiana Exports

Manufactured goods accounted for 93 percent of Indiana's merchandise exports to the CAFTA-DR region in 2004.

Plastics products. Indiana's top export category to the CAFTA-DR region is plastics products. In 2004, the state exported plastics products to the region valued at $23 million or 36 percent of total state exports to the CAFTA-DR markets. The elimination of tariffs under CAFTA-DR will make Indiana plastics products more competitive in the CAFTA-DR marketplace.

Machinery. Among Indiana's top exports to CAFTA-DR markets in 2004 were general-purpose machinery ($4.9 million), agriculture and construction machinery ($2.1 million), and industrial machinery ($1.7 million). One hundred percent of U.S. agricultural equipment and 95 percent of construction equipment exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement with the remaining tariffs phased out over five or 10 years. Overall, 92 percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement.

Pharmaceuticals and medicines. Indiana exports of pharmaceuticals and medicines to the CAFTA-DR region totaled $4.8 million in 2004. Under the free trade agreement, tariffs on high-value chemical products such as residual pharmaceuticals and medications will, in most cases, be phased out immediately or in 5 years.

Other manufactures. During 2000 to 2004 the biggest percentage increases in Indiana's exports to the CAFTA-DR region were registered by boilers, tanks, and shipping containers; bolts, nuts, screws, rivets, washers and other turned products; alumina and aluminum and processing; aerospace products and parts; and soaps, cleaning compounds, and toilet preparations. CAFTA-DR should enhance opportunities for exports in these and other sectors.

Indiana's Farmers Benefit From CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including important Indiana products such as corn, soybeans, and pork, U.S. exporters shipped over $1.6 billion in U.S. farm exports to the CAFTA-DR region in 2003. In the free trade agreement, a primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *www.fas.usda.gov/info/factsheets/CAFTA/state.html*.

Indiana's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, Indiana's exports to Chile grew by 20 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Indiana's combined exports to Canada and Mexico have increased by more than 188 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.